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SUBJECT: BOEING CEO BRIEFS AMBASSADOR

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¶1. (SBU) Summary: Boeing CEO Harry Stonecipher (accompanied by his vice presidents for international relations, commercial airline sales for the Middle East and defense sales to the Middle East) briefed Ambassador on November 20 on Boeing programs and priorities in the United Arab Emirates. He confirmed that Etihad Airlines had bought 5 Boeing 777-300 aircraft and that Boeing is still trying to get the UAEG to sign a letter of acceptance for the Harpoon missile. Finally, he noted that potential liability issues were discouraging Boeing from bidding for projects to integrate border and airport security systems. End Summary.

Civil Aviation

¶2. (SBU) Stonecipher confirmed that Etihad Airlines had signed a purchase order with Boeing to buy 5 Boeing 777-300 extended range aircraft, with delivery to start in October 2005. The scheduled delivery for the planes is: one in October, two in November, and 1 in December. He said that Etihad would likely announce the deal in a few days. Stonecipher also told the Ambassador that Etihad was still negotiating with Airbus over its announced purchase. According to Boeing, Emirates Airlines has had problems with its Airbus 340-500 aircraft on the Dubai - New York flight. The aircraft have had seven engine changes and are

unable to make the flight from Dubai to New York with a full payload. The bottom line is that Emirates Airlines is discovering that operating the Airbus 340 on this flight is more expensive than it realized (and he suggested, more expensive than operating a comparable Boeing 777).

¶ 13. (SBU) In response to Ambassador's question, Stonecipher stated that the discussions with Emirates about the 7E7 were "not going anywhere." He explained that Emirates had said that even the "stretch" 7E7 was not big enough for its current requirements. Finally, Stonecipher said that Boeing would be assigning two civil aviation sales representatives to Dubai.

Defense

¶ 14. (SBU) Stonecipher confirmed that Boeing was still trying to get the UAE to sign the letter of acceptance on the Harpoon Missile, before the offer expired at the end of December.

¶ 15. (SBU) Stonecipher noted that he expected that Boeing would deliver its 767 Tanker proposal to the UAE Air force by the middle of December. Boeing is competing with Airbus to supply the UAE Air force with two tankers.

¶ 16. (SBU) Stonecipher briefly discussed Boeing's two helicopter programs in the UAE (the AH-64 Apache and the CH-47 Chinook). He said that Boeing had met with the head of land forces on the AH-64 Apache program and had been told that if Boeing could get the Apache helicopters operational again, the UAE would again look at upgrading the helicopters to the AH-64D-model, Block 2. Boeing has a direct commercial support contract under review at UAE GHQ to rehabilitate the helicopters. USLO Chief told Stonecipher that the UAE Special Operations Command had just presented a letter of request for a training and maintenance package for the CH-47 Chinook to USLO.

¶ 17. (SBU) Stonecipher also noted that Boeing was no longer interested in work integrating border or airport security systems, despite its expertise in this area. The problem, he explained, was one of liability. The UAE would want Boeing to assume unlimited liability if anything went wrong (i.e., if a terrorist slipped through the system). The Ambassador commented that this is a challenge facing a number of U.S. companies in the security service field. Stonecipher noted that it apparently does not affect the European companies, which seem comfortable signing contracts with potential liability clauses. (Note: Stonecipher also said that Boeing faces similar problems in the U.S.)

Sison